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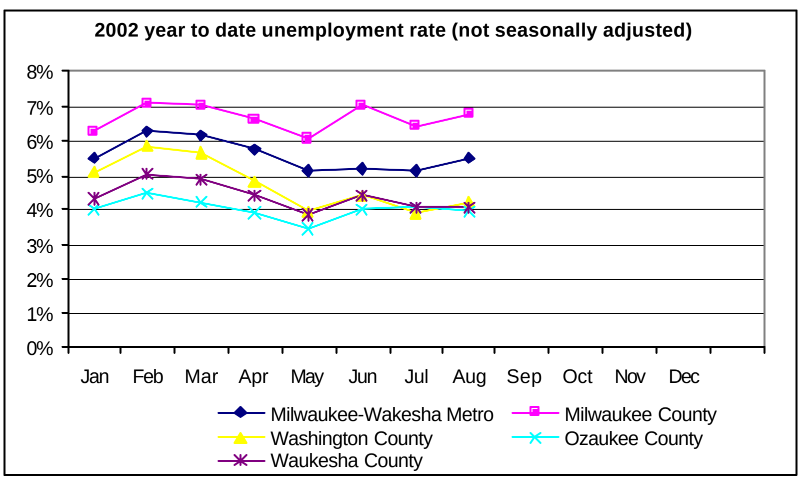
Department of Workforce Development

A Deceptive Return to Normalcy

The labor market of the metropolitan Milwaukee area exhibited signs that suggest that a pattern of seasonal fluctuation has returned. This comes despite a slight increase in the regional unemployment rate, which is marked by mixed observations throughout the four county area. For the month of August, the seasonally adjusted unemployment rate of the **Milwaukee-Waukesha Metropolitan Statistical Area**, which includes Milwaukee, Ozaukee, Washington, and Waukesha counties was 5.5 percent. This rate represents an increase of 0.1 percent over the benchmarked estimate of 5.4 percent for July. As compared to the state, the metropolitan area unemployment rate is a full percentage point higher than the statewide estimate of 4.7 percent, which itself is one tenth of one percent higher than July. As compared to the same period a year ago, the metropolitan unemployment rate is 0.8 percent higher, while the state rate is a lesser 0.6 percent higher.

At first glance, the jump in the unemployment rate over the course of the month may be disconcerting. However, an analysis of the figures supporting the estimate present a number of significant statistical anomalies which all point to employment patterns that are much more seasonal in nature than the figures indicate. It is important to recognize that these seasonal figures incorporate averages from the past three years in estimating expected trends in the market. As estimated through the sampling procedure used by the Department of Labor to estimate the unemployment rate of a number of small geographic areas, the metropolitan area labor force decreased by 3,500 persons in July. Much of this decrease can be attributed to a combination of retirements and a growing number of discouraged workers exiting the labor force due to sluggish hiring trends. Additionally, the estimates suggest a decrease of 5,200 employed workers in the metropolitan labor force. Finally, the estimates suggest that the number of unemployed workers increased by 1,800 over the course of the month. The combination of these trends fueled the increase in the unemployment rate.



However, analysis of supplementary data suggests that the magnitude of the metropolitan unemployment estimate may be overstated. While a direct correlation between claims for unemployment compensation, non-farm employment estimates obtained through the Current Employment Survey, and the unemployment rate cannot be made due to the complexity of the formula used to calculate the unemployment rate, analysis of each of these sources may shed more light on the current employment situation. In the six weeks between the sampling periods used in calculating the July and August unemployment rates, both initial and continued claims for unemployment compensation decreased significantly, with weekly initial claims declining from 2,323 to 1,360 in the metropolitan area, and continued claims dropping from 35,417 to 30,451. This decline suggests that the number of unemployed workers should have decreased over the course of the month. Additionally, non-farm employment estimates suggest that the metropolitan region experienced a month of employment growth, with 1,170 new positions being reported across all industries. This estimate is contrary to the unemployment estimate of 5,200 fewer employed workers in the metropolitan area.

Continuing to examine changes in industry employment over the course of the past month, we see several encouraging signs. First, and foremost, the growth in manufacturing employment (1,330 positions) is significant, both in its magnitude and in the fact that growth was observed in both the durable and nondurable goods manufacturing sectors. This suggests that the industry is showing signs of recovery from the past two years of losses. Additionally, the significant growth in retail employment continues to restate the strength of demand for retail services in the metropolitan area. While a number of sectors experienced slight losses in employment over the month, a majority of these, including those in wholesale trade and services are a result of seasonal employment patterns.

Looking now at the employment situation in the four counties of the metropolitan area, we see a number of divergent trends. For the month of August, the not seasonally adjusted unemployment rate for **Milwaukee County** was 6.8 percent. This

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represents a 0.4 percent increase over the course of the past month and is 0.9 percent higher than the same period a year ago. The three suburban counties of the metropolitan area, **Ozaukee, Washington, and Waukesha County** also witnessed significant fluctuations in the unemployment rate. The Ozaukee County unemployment rate for August was 3.9 percent, Washington County experienced a 4.2 percent rate, and Waukesha County reported a 4.0 percent unemployment rate for the month. As compared to July of this year, the three county area experienced a relatively minor fluctuation, with Washington County experiencing a 0.3 percent increase, Waukesha County experiencing no change, and Ozaukee County's unemployment rate actually decreasing by 0.1 percent. The combination of these three counties yielded a 4.1 percent unemployment rate for the W-O-W Workforce Development Area.

Despite these fluctuations, the three outer counties of the metropolitan region continue to be somewhat insulated from negative changes in the regional economy, but share in the positive effects. This is evidenced by the fact that the three counties ranked 56th, 50th, and 52nd, respectively in the state in terms of unemployment, while Milwaukee County reported the 6th highest unemployment rate in the state. For the month of August, Menominee County reported the highest rate at 13.5%, and Dane County reported the lowest rate of 2.5%. The wide disparity in unemployment statewide points to the diverse industry composition that is present in the state.

Again, an examination of industry employment in the W-O-W region shows growth in manufacturing and retail and seasonal shifts in other industries, particularly government, services, and wholesale trade. These trends suggest that the region has again achieved economic stability and growth is expected.

August 2002	Wisconsin	Milwaukee-Waukesha MSA	Milwaukee County/WDA	Washington County	Ozaukee County	Waukesha County	W-O-W WDA
Civilian Labor Force*	*3,089,600*	*831,200*	*497,541*	*70,314*	*50,382*	*221,661*	*342,357*
Persons Employed	*2,942,900*	*792,200*	*463,765*	*67,375*	*48,396*	*212,697*	*328,468*
Persons Unemployed	*146,700*	*45,800*	*33,776*	*2,939*	*1,986*	*8,964*	*13,889*
Unemployment Rate	*4.7%*	*5.5%*	*6.8%*	*4.2%*	*3.9%*	*4.0%*	*4.1%*
Total jobs of all non-farm industries**	2,850,493	859,568	552,859	46,688	38,934	221,086	306,709
Goods Producing Jobs	716,949	194,939	98,368	17,494	13,195	65,882	96,571
Service Producing Jobs	2,133,544	664,629	454,491	29,195	25,738	155,205	210,138
Construction & Mining	139,784	35,257	14,532	2,740	1,614	16,370	20,725
All Manufacturing	577,165	159,682	83,836	14,753	11,582	49,512	75,846
Transportation, Communications & Public Utilities	129,975	38,579	28,221	1,747	818	7,793	10,358
Wholesale Trade	138,585	47,030	24,203	2,323	1,545	18,959	22,827
Retail Trade	514,439	138,487	85,978	8,619	7,297	36,593	52,509
Finance, Insurance, and Real Estate	154,635	59,018	42,857	2,007	1,978	12,175	16,161
Services	813,630	294,348	211,900	9,367	10,399	62,682	82,448
All Government	382,280	87,167	61,332	5,132	3,701	17,002	25,835
Change from July 2002							
Civilian Labor Force*	*-58,100*	*-12,200*	*-1,280*	*-250*	*-380*	*-1,480*	*-2,110*
Persons Employed	*-71,200*	*-5,200*	*-3,050*	*-440*	*-320*	*-1,400*	*-2,160*
Persons Unemployed	*13,200*	*-100*	*1,780*	*200*	*-60*	*-80*	*50*
Unemployment Rate	*0.5%*	*0.1%*	*0.4%*	*0.3%*	*-0.1%*	*0.0%*	*0.0%*
Total jobs of all non-farm industries**	4,310	1,170	540	130	110	390	630
Goods Producing Jobs	1,670	1,360	710	130	100	430	650
Service Producing Jobs	2,640	-190	-170	10	10	-40	-20
Construction & Mining	-500	30	10	0	0	10	20
All Manufacturing	2,170	1,330	700	120	100	410	630
Transportation, Communications & Public Utilities	840	-50	-40	0	0	-10	-10
Wholesale Trade	360	-330	-170	-20	-10	-130	-160
Retail Trade	2,880	1,050	650	70	60	280	400
Finance, Insurance, and Real Estate	-120	-40	-30	0	0	-10	-10
Services	4,770	-440	-320	-10	-20	-90	-120
All Government	-6,090	-380	-270	-20	-20	-70	-110
Change from August 2001							
Civilian Labor Force*	*34,600*	*14,310*	*14,030*	*1,900*	*1,400*	*5,690*	*8,980*
Persons Employed	*210*	*14,880*	*8,730*	*1,270*	*910*	*4,000*	*6,180*
Persons Unemployed	*34,490*	*6,230*	*5,300*	*630*	*490*	*1,680*	*2,800*
Unemployment Rate	*1.1%*	*0.7%*	*0.9%*	*0.8%*	*0.9%*	*0.7%*	*0.7%*
Total jobs of all non-farm industries**	10,980	1,330	1,960	-170	-60	-400	-630
Goods Producing Jobs	-10,750	-3,830	-1,940	-340	-260	-1,280	-1,890
Service Producing Jobs	21,720	5,160	3,900	180	200	880	1,260
Construction & Mining	2,450	-630	-260	-50	-30	-290	-370
All Manufacturing	-13,200	-3,190	-1,680	-300	-230	-990	-1,520
Transportation, Communications & Public Utilities	-2,240	-120	-90	-10	0	-30	-30
Wholesale Trade	-960	-1,080	-550	-50	-40	-430	-520
Retail Trade	2,090	190	120	10	10	50	70
Finance, Insurance, and Real Estate	2,720	400	290	10	10	80	110
Services	21,790	4,780	3,440	150	170	1,020	1,340
All Government	-1,670	990	700	60	40	190	290

* Labor force figures are **not** seasonally adjusted and are commonly revised. Figures from "place of residence" survey from the Bureau of Labor Statistics' Local Area Unemployment Statistics program.

**Figures based upon "place of employment" survey from the BLS, Non-Farm Wage and Salary estimates

Figures are rounded and may not sum to totals

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